

INTRODUCTION

The Office of Internal Audit performed an audit of Allegan County FIA for the period October 1, 1997 through April 30, 1998. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Allegan County FIA had 66 full time equated positions (FTE's) at the time of our review. Allegan County FIA provided assistance to an average 4,106 recipients per month during FY 1997, with total assistance payments of \$5,778,656 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Allegan County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

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|-----------------------------|--------------------------------|
| Client Processing | CIS |
| Cash Disbursements | Cash Receipts |
| General Ledger | Accounts Receivable |
| Safe & Controlled Documents | IRS Information Security |
| Food Stamp Mail Issuance | Modified Accrual Balance Sheet |
| Medical Transportation | ENP/SER Program |

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Allegan County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find one instance of noncompliance with FIA policies and procedures which is detailed below.

LOCAL OFFICE RESPONSE

Allegan County FIA has reviewed this report and informed us that they are now in compliance with the recommendation.

FINDING AND RECOMMENDATION - COMPLIANCE

The following is an area where we found that the Allegan County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Controlled Document Log

1. Allegan County did not keep its Controlled Document Logs (FIA-4070) up-to-date. Accounting Manual Item 403 states that the inventory of each controlled document is to be controlled using the Controlled Document Log. All receipts and distributions of inventory should be recorded on the log as they occur. Completion of the Controlled Document Log helps to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that Allegan County FIA complete the Controlled Document Log at the time inventory is received or distributed.